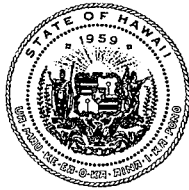


NEIL ABERCROMBIE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

GLENN M. OKIMOTO
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IN REPLY REFER TO:
AIR-A
13.081

August 6, 2013

DEPT. COMM. NO. 132

The Honorable Donna Mercado Kim
Senate President
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear President Kim:

Reference is made to the enclosed report addressed to the pending 28th Session of the 2014 Legislature, State of Hawaii, which is being submitted by the Department of Transportation, pursuant to Section 261-7(e), Hawaii Revised Statutes (HRS), requiring the Department of Transportation to submit a report to the Legislature on the circumstances of the changes made to the rates and charges implemented pursuant to this section.

This report informs the Legislature of the procedures used to change the rates and charges effective on September 1, 2013, to the Non-Signatory Commercial Air Carriers using the Hawaii Airports System.

We recognize that the 28th Session of the 2014 Legislature will commence at the beginning of next year; however, the activity that we undertook was completed on July 31, 2013, and the rates and charges will become effective on September 1, 2013.

In order to comply with the reporting requirements pursuant to HRS Section 261-7(e), this report is being submitted.

If you or your staff have any questions pertaining to this report, please contact Mr. Sidney A. Hayakawa, Airports Division Administrative Services Officer, at 838-8604 or email at: sidney.a.hayakawa@hawaii.gov.

Very truly yours,

A handwritten signature in cursive script, likely of Glenn M. Okimoto.

GLENN M. OKIMOTO, Ph.D.
Director of Transportation

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Enc.

OFFICE OF THE DEPT. OF TRANSPORTATION
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DEPT. COMM. NO. 132

REPORT TO THE TWENTY-EIGHTH LEGISLATURE STATE OF HAWAII 2014

PURSUANT TO SECTION 261-7(e), HAWAII REVISED STATUTES,
REQUIRING THE DEPARTMENT OF TRANSPORTATION
TO SUBMIT A REPORT TO THE LEGISLATURE
ON THE CIRCUMSTANCES AND RATES AND CHARGES IMPLEMENTED
PURSUANT TO THE SECTION

Prepared by:
DEPARTMENT OF TRANSPORTATION
STATE OF HAWAII
August 1, 2013

DEPARTMENT OF TRANSPORTATION REPORT TO THE LEGISLATURE

BACKGROUND

Section 261-7(e) Hawaii Revised Statutes (HRS) provides a mechanism for the Department of Transportation (Department) to set airports rates and charges following publication of the rates and charges and conduct of a public informational hearing. When airports rates and charges are set in this manner, the Department is obligated to report the circumstances and resulting rates and charges to the Legislature.

Air operators using the airports in the State of Hawaii Airports System are subject to various rates and charges for use of the airports. Landing fees and passenger terminal rents are two types of rates and charges.

Air operators can be categorized as "signatory" to airport-airline agreements providing, among other things, methodologies for periodic calculation of rates and charges. Air operators who are not signatory to such agreements are categorized as "nonsignatory."

The Department entered into an airport-airline lease agreement with the signatory airlines to provide those airlines with the nonexclusive right to use the airports system facilities, equipment, improvements, and services, in addition to occupying certain exclusive-use premises and facilities. These leases have been amended and extended several times, with the most recent amendment executed in October 2007. This most recent amendment, known as the First Amended Lease Extension Agreement, became effective January 1, 2008, and obligated the Department to set nonsignatory airline rates at 125% that of signatory airline rates.

Nonsignatory landing fees and terminal rentals stayed the same from between November 13, 2000 and January 1, 2012.

On July 26, 2011, the Department received written confirmation from the Department of the Attorney General, Lands and Transportation Division, that Section 261-7(e), HRS could be used to set rates in accordance with the First Amended Lease Extension Agreement.

The Department identified the nonsignatory air operators reporting activity in the Airports System. A distinction was determined to be appropriate between (1) those nonsignatory operators providing commercial scheduled cargo and passenger service (referred to hereinafter as "Nonsignatory Commercial Air Carriers") and (2) other nonsignatory operators (referred to hereinafter as "Nonsignatory Air Operators"). This distinction allowed rates and charges for those operators referenced as "nonsignatory airlines" in the airline agreement to be set separately from the balance of nonsignatory air operators, which include tour operators, corporate aircraft, and others.

Nonsignatory Commercial Air Carrier rates were calculated as 125% of the schedule of signatory airline landing fees and terminal rents for Fiscal Year 2012, subject to minor adjustments for reporting and calculation purposes, and became effective January 1, 2012. Rates for Nonsignatory Air Operator were left the same.

2014 Report

Signatory airline landing fees and terminal rents are adjusted annually, usually at the beginning of the fiscal year, pursuant to the methodology of the airline agreements. As the fees and rents were last adjusted July 1, 2013, the Department is following the process established in HRS Section 261-7(e) to adjust rates for Nonsignatory Commercial Air Carriers.

On July 18, 19, and 20, 2013, the notice of the Public Informational Hearing on rates and charges for the Nonsignatory Commercial Air Carriers to be held on July 31, 2013, from 6:00pm (HST) to 8:00pm (HST) at the Airports Conference Center, 400 Rodgers Boulevard, Honolulu, Hawaii 96819, appeared in the Honolulu Star-Advertiser. The notice of the Public Informational Hearing on rates and charges for the Nonsignatory Commercial Air Carriers was also published on the DOTA website.

On July 22, 2013, letters were sent to known Nonsignatory Commercial Air Carriers using the Hawaii Airports system, including:

Aero Micronesia dba Asia Pacific Airlines
Air Transport International LLC
Atlas Air, Inc.
Corporate Air
Jetstar Airways PTY Limited
Omni Air International, Inc.
Southern Air, Inc.
World Airways
Air Japan Co., Ltd. dba All Nippon Airways Co., Ltd.
Miami Air International, Inc.

The letter notified them of the Public Informational Hearing on rates and charges for the Nonsignatory Commercial Air Carriers to be held on July 31, 2013, from 6:00pm (HST) to 8:00pm (HST) at the Airports Conference Center, 400 Rodgers Boulevard, Honolulu, Hawaii 96819.

On July 31, 2013, at approximately 6:00 pm (HST) the Public Informational Hearing began with the reading of an introduction consisting of definitions and the purpose of the hearing. There was only one (1) person in attendance. After the introduction, he was asked if he had any questions and he had none. The hearing was adjourned at approximately 6:10 pm (HST).

Having met the criteria to establish rates and charges pursuant to HRS 261-7(e), the revised rates and charges for Nonsignatory Commercial Air Carriers will go into effect on September 1, 2013. Due to higher air traffic levels in 2012 and 2013, many rates will be reduced, benefiting Nonsignatory Commercial Air Carriers using Hawaii Airports System.

The complete schedule of landing fees and terminal rates set pursuant to HRS Section 261-7(e) effective September 1, 2013, is attached.

**Table 1: Nonsignatory Commercial Air Carrier Rates and Charges
(Effective September 1, 2013)**

Description	Rate		
LANDING FEE RATE			
Overseas (including budgeted Airport System Support Charge)	\$ 3.65	per 1,000 pounds approved maximum landed weight	
Interisland (including budgeted Airport System Support Charge)	\$ 1.54	per 1,000 pounds approved maximum landed weight	
TERMINAL USE RATES			
HONOLULU INTERNATIONAL			
Terminal Rental Rate	\$ 63.09	per square foot per year	
Joint Use Holdroom Rate	\$ 1.35	per enplaned passenger	
Joint Use Baggage System Rate	\$ 4.15	per deplaned passenger	
International Arrival Area Rate	\$ 6.63	per deplaned passenger using international facilities	
Commuter Terminal Joint Use Holdroom Rate	\$ 1.41	per enplaned passenger	
Commuter Terminal Joint Use Baggage System Rate	\$ 1.09	per deplaned passenger	
KAHULUI			
Terminal Rental Rate	\$ 117.63	per square foot per year	
Joint Use Holdroom Rate - Overseas	\$ 3.49	per enplaned passenger	
Joint Use Holdroom Rate - Interisland	\$ 1.46	per enplaned passenger	
Joint Use Baggage System Rate	\$ 1.70	per deplaned passenger	
KONA INTERNATIONAL AT KEAHOLE			
Terminal Rental Rate	\$ 44.08	per square foot per year	
Joint Use Holdroom Rate - Overseas	\$ 1.43	per enplaned passenger	
Joint Use Holdroom Rate - Interisland	\$ 0.60	per enplaned passenger	
Joint Use Baggage System Rate	\$ 1.56	per deplaned passenger	
International Arrival Area Rate	\$ 6.63	per deplaned passenger using international facilities	
LIHUE			
Terminal Rental Rate	\$ 73.21	per square foot per year	
Joint Use Holdroom Rate - Overseas	\$ 1.50	per enplaned passenger	
Joint Use Holdroom Rate - Interisland	\$ 0.63	per enplaned passenger	
Joint Use Baggage System Rate	\$ 2.01	per deplaned passenger	
HILO INTERNATIONAL			
Terminal Rental Rate	\$ 39.69	per square foot per year	
Joint Use Holdroom Rate - Overseas	\$ 9.00	per enplaned passenger	
Joint Use Holdroom Rate - Interisland	\$ 3.78	per enplaned passenger	
Joint Use Baggage System Rate	\$ 1.41	per deplaned passenger	

Table 2: Nonsignatory Air Operator Landing Fees
(effective _____)

Description	Rate
LANDING FEE RATE	
Overseas	\$ 2.48 per 1,000 pounds approved maximum landed weight
Interisland	\$ 0.85 per 1,000 pounds approved maximum landed weight